

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday August 19, 1976

CI NIDC 76-195C

State Department review completed

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday, August 19, 1976

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The NID Cable is for the purpose of informing senior US officials.

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KOREA: DMZ Incident

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[] North Korea almost certainly intended to inflict casualties on US personnel in the incident at Panmunjom yesterday.

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[] *The Bureau of Intelligence and Research of the Department of State does not feel current information is sufficient to be certain whether the incident--or the taking of American lives--was planned from Pyongyang or instead was the result of local North Korean action.*

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[] According to numerous eyewitness accounts and photographs taken from a nearby observation post, the North Korean guards clearly used excessive force resulting in the deaths of the two US officers. A North Korean officer was heard telling his troops to "kill" the UN (i.e., US) personnel.

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[] North Korean personnel in the Joint Security Area have engaged in minor harassment of US personnel since early June. A North Korean radio broadcast termed yesterday's incident a US provocation and warned that any future incidents would be met forcefully.

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[] The violence seems intended to accomplish two objectives:

--To underscore North Korea's general diplomatic case that the US is the major source of tensions in Korea (an argument being made now at the nonaligned meeting in Colombo and one that will be made later at the UN this fall).

--To arouse US public opinion about the US troop presence in Korea in the midst of the election campaign.

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[] Since early this spring, North Korean propaganda has charged almost daily that the US is introducing new weapons into the South, conducting provocative military exercises, and keeping South Korean armed forces on a war footing. Pyongyang has warned that these developments have created a "grave situation" in which war may break out at any time.

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[] On August 5--only a few hours after an exchange of fire between South and North Korean troops on the Demilitarized Zone--North Korea, in an unusually high-level statement, alleged that the US and South Korea have now "completed" war preparations. This was the first such high-level statement since 1969 directed specifically at US actions in the South.

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[] North Korea currently is working hard to get a harsh anti-US statement at the nonaligned summit conference, now drawing to a close in Colombo. The effort in Colombo is intended to enhance prospects for North Korea's position in the UN General Assembly debate on the Korean issue this fall. A resolution has already been introduced which once again calls for US withdrawal from Korea.

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[] Despite some gains in international forums, the North Koreans still hope to stimulate opposition in the US to a continued US troop presence.

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[] The reaction in the US will undoubtedly have an important impact on North Korea's next move. Should Pyongyang perceive the beginning of a divisive domestic debate over the advisability of maintaining US troops in Korea, further controlled acts of violence can be expected.

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[] President Kim Il-song almost certainly does not intend to resume the confrontation policy of the late 1960s, in which the North Koreans staged hundreds of armed violations of the Demilitarized Zone. Nor is he likely to undertake high-risk military provocations, either in the DMZ or against the South Korean garrisons on islands in the Yellow Sea, that might result in serious clashes with South Korean forces.

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[] The North Koreans respect the South's military capabilities; blatant North Korean military provocations, moreover, would undercut Pyongyang's political strategy of portraying the US and the South as the aggressors. This strategy is intended to discredit the Pak regime and to build international pressure for a withdrawal of US forces.

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[] Kim has acknowledged publicly that the time is not ripe for major military action and that he is relying on trends in international opinion and on developments in South Korea to create opportunities for advancing his goal of reunification on North Korean terms.

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[redacted] Kim said North Korea "in the future" planned to "stir up world opinion more vigorously" by "publicizing" US "criminal barbarities" and South Korean political repression. Kim candidly declared that his objective was to "make the Korean question the focal point of attention both in Asian and in world affairs."

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[redacted] There is no evidence of any unusual North Korean military activity or deployments. North Korean military forces, however, are normally in a position to launch a major assault across the Demilitarized Zone with little or no warning. In the light of the formidable capabilities of the US and South Korean forces, the North Koreans would almost certainly hope to capitalize on the element of surprise if they were to risk major hostilities. The staging of the incident yesterday suggests that Pyongyang entertains no such intent at present.

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[redacted] The North Koreans have agreed to attend a meeting of the Military Armistice Commission early this morning Washington time.

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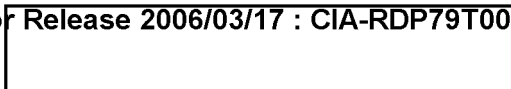
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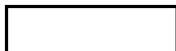


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LEBANON: Situation Report

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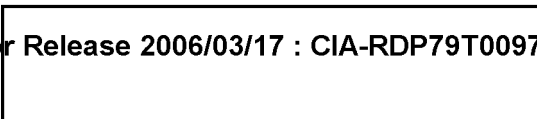
 The Christians are continuing to shell areas in the mountains east of Beirut, apparently as a prelude to a full-scale assault.

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[REDACTED] An escaped Palestinian commander of Tall Zatar announced at a press conference that the Palestinians lost about 3,000 dead and 6,000 wounded at the camp, with some 900 civilians still missing.

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[REDACTED] Following a night of unusually heavy and indiscriminate artillery fire in Beirut, leaders of the Phalanges Party and the Palestinians have announced an agreement to stop shelling residential areas inside the city. Neither Christian extremist Camille Shamun nor leftist extremist Kamal Jumblatt were involved in the accord, however, and they are unlikely to abide by it.

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[REDACTED]

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[REDACTED] In north Lebanon, the Christians have made no significant gains in their attacks on small villages on the outskirts of Tripoli. In the south, the Palestinians are complaining of Syrian artillery bombardments on their positions near Jazzin.

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[REDACTED] Saudi Arabia and Kuwait have been trying in the past few days to muster support for an Arab summit conference under the auspices of the Arab League to make another try at dealing with the Lebanese morass. Egyptian President Sadat, who is en route to Saudi Arabia for a brief visit, yesterday agreed to the scheme--possibly to placate his Saudi hosts, who have been annoyed at Egypt's anti-Syrian activities in Lebanon.

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[REDACTED] Sadat's agreement to attend a summit, combined with Saudi and Kuwaiti pressure, will make it harder for President Asad to resist acquiescing to such a meeting.

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[REDACTED]

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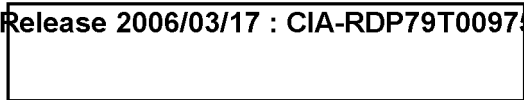
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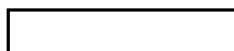


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USSR: East European Indebtedness


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 //The Soviet and East European hard-currency debt increased from \$13 billion at the end of 1973 to \$29 billion at the end of 1975 and will probably reach \$40 billion by the end of this year. The Western economic recession and inflation were the main causes, but massive grain imports also added to the USSR's hard-currency deficit and increased its borrowing needs.//

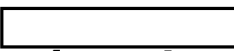
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 //The USSR's hard-currency trade deficit reached a record \$6.3 billion last year and a similar deficit is likely in 1976. Industrial imports, especially of machinery and steel, are rising; grain imports during this calendar year will continue near record levels. There are no indications that Moscow intends to cut nongrain imports sharply--the only step that could substantially reduce this year's trade deficit.//

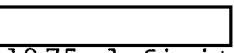
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 //Eastern Europe incurred a record \$6.5-billion trade deficit in 1975, of which Poland accounted for about \$3 billion. The other East European countries recorded much smaller deficits; only East Germany's exceeded \$1 billion.//

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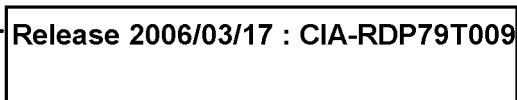
 //The East European deficit will probably fall moderately this year, reflecting some increase in exports and a slowdown in import growth. Hungary's imports will actually decline. In marked contrast to the rest of Eastern Europe, Poland will match or exceed its 1975 deficit of \$3 billion.//

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 //Moscow had no great difficulty financing its 1975 deficit. Medium- and long-term credits covered about half; most were guaranteed by governments, but Eurodollar borrowings rose to a record level as well. In addition, the USSR had to

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rely heavily on short-term financing to cover its unexpected hard-currency shortfalls. By the end of 1975, Moscow's medium- and long-term hard currency debt had risen to \$7.5 billion and its total debt to \$10 billion.//

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[] //The East Europeans also were forced to draw heavily on the Eurocurrency markets, and their net liabilities on these markets rose to \$8.5 billion. Poland's total debt rose to \$6.9 billion, and East Germany and Romania had debts of \$3.8 billion and \$3.0 billion, respectively.//

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[] //The prospective hard-currency deficits for 1976 are likely to raise the Soviet debt to between \$13 and \$15 billion and Eastern Europe's to as much as \$24 billion. Although no Soviet or East European borrower has been turned down, the cost of Western credit and the difficulty in obtaining it have been increasing. The international banking community is becoming concerned about the debt problem and the persistence of hard-currency deficits.//

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[] //Most Western governments are continuing to guarantee long-term credits but are examining them more closely than in the past. West European governments believe they have a political stake in expanded trade with the East and are willing to provide large credits to sustain its growth. If Soviet and East European hard-currency deficits continue for long at high levels, these countries will have increasing difficulty in obtaining new credits.//

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[] //The USSR is still viewed as a good credit risk while Poland's credit status is the poorest.//

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[] //The seriousness of the Soviet and East European debt problem depends greatly on whether and how quickly the hard-currency deficits decline. On the whole, prospects are good for substantial improvement in these countries' hard-currency trade balance during the next two years or so.//

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[] //Soviet and East European exports during 1977 to 1978 will benefit from what should be a period of rapid economic recovery and expansion in the West. Even if Western economic expansion falters in early 1978, East-West trade would continue to grow for the balance of the year, reflecting the sizable lag between changes in Western economic activity and their impact on trade flows.//

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25X1 [] //Higher export earnings should allow the USSR to meet its debt obligations, reduce its current-account deficit to manageable levels, and, given good harvests, still increase nongrain imports at a respectable rate.//

25X1 [] //In some countries, export earnings may prove insufficient both to reduce trade deficits and to meet increasing debt service obligations and import needs. Poland's problems are particularly serious. It will likely have difficulty raising the substantial amounts of credit it will need to finance politically necessary import growth.//

25X1 [] //The debt problem will be one of the many factors tending to slow economic growth in the USSR and Eastern Europe. In the USSR, a slowdown in the growth of hard-currency imports for two or three years may hamper achievement of plans for production and productivity in some industries, but it is not likely to affect overall economic growth appreciably. In Eastern Europe, the improvement in living conditions will slow markedly.//

25X1 [] //Debt problems are bound to complicate relations between the East European countries and the USSR. All react to hard-currency shortages by diverting to the West as many readily salable goods as possible--mainly agricultural products, raw materials, and the relatively small amounts of quality manufactures. For the most part, Eastern Europe is not in a position to divert such goods from the USSR; indeed, Moscow is insisting on a better deal.//

25X1 [] //The USSR could solve some of its problems at Eastern Europe's expense. For example, it could free crude oil and other materials for hard-currency export and reduce grain import requirements by cutting exports of these goods to Eastern Europe and/or demanding higher prices for those goods it continues to export. []

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USSR-GREECE-TURKEY: Soviet Commentary

25X1 [] The USSR has been careful to avoid offending either Greece or Turkey in its treatment of the Aegean dispute.

25X1 [] Soviet media are reporting the statements and actions of both sides in a straightforward but abbreviated manner. Commentators in the USSR have not discussed the technicalities of the dispute, probably in part because of current law-of-the-sea negotiations.

25X1 [] The Soviets have noted, but not emphasized, the potential for hostilities in the present dispute. Last week Moscow made representations in both Athens and Ankara noting that as a coastal state the USSR has an interest in seeing that sea communications are not disturbed because of the dispute. The Soviets have sought also to protect their naval interests by voicing opposition to suggestions that Greece might extend its territorial waters limit.

25X1 [] The Soviets have supported calls for a negotiated settlement but have sidestepped the question of the proper forum. They argue that the Helsinki agreement, signed by both Greece and Turkey, provides a basis for a peaceful solution to the dispute.

25X1 [] The Soviets have also used the occasion to denigrate NATO and to argue that both Greece and Turkey are ill-served by the organization. []

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USSR: Protection of Citizens' Rights

25X1 [] A new Soviet statute that defines, for the first time, the rights of citizens of the USSR accused of crimes will go into effect January 1. This is the first significant revision of the Code of Criminal Procedure since it became law in 1961.

25X1 [] We do not know how seriously the authorities will observe these newly defined rights, but the statute appears to be a move in the direction of controlling arbitrary actions by officials. The law may be a reaction to the harsh criticism of the Soviet record on individual rights and freedoms that was leveled by West Europeans at the European communist party conference in late June.

25X1 [] Under terms of the new legislation, authorities must submit a written statement of the circumstances of an arrest to the public prosecutor within 24 hours. The prosecutor must within 48 hours approve further detention or order the release of

[redacted]

the suspect. The apprehended person, if not released, has the right to retain personal documents and notes related to the case and to meet privately with his defense attorney.

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[redacted] The announcement of the statute has been accompanied by some rare Soviet media discussion of individual rights. An *Izvestia* article that appeared on July 13, the same day the USSR Supreme Soviet approved the statute, highlighted the importance of legal protection for individual rights and cited General Secretary Brezhnev's reference to that in his speech at the Soviet party congress earlier this year. A signed article in *Izvestia* on August 11 criticized officials who violate the letter and spirit of the law by interpreting it arbitrarily or demanding more than the law requires. [redacted]

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[redacted]

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THAILAND: Praphat Determined to Stay

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[] Former military ruler Praphat reportedly told government representatives yesterday that he was determined to stay in Thailand and to fight any legal charges against him in court. According to an official government statement, Praphat will be placed in the custody of the army.

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[] Praphat's return to Thailand could easily precipitate a crisis situation for the 4-month-old government of Seni Pramot. Seni is already on a potential collision course with a newly aroused student movement. Student leaders are planning to hold a large rally today to learn what steps the government has taken in meeting their demands for the arrest of Praphat and those who abetted his return. Praphat's determination to stay will probably prompt student leaders to begin mobilizing their forces for large-scale demonstrations.

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[] The army seems to be in no hurry to help the government. The army's willingness to act as custodian for Praphat merely prolongs a situation that can only redound to the government's disadvantage.

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